

4128



Instr: 201012200051674 12/20/2010  
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Rick Campbell 3:23PM LEAS  
Stark County Recorder T20100042679

PAID-UP  
OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 6<sup>th</sup> day of October, 2010, by and between  
**CAVALIER ENERGY LLC**, of 3965 Sugarbush Drive, Canfield, OH 44406 hereinafter called the Lessee,  
of Gregory A. Kahr (Trustee) & Barbaram Kahr (Trustee)  
1540 Deerfield Ave. Dalton, OH 44618  
hereinafter called the Lessor,

WITNESSETH, That Lessor for good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), including Lessee's covenants and agreements hereinafter set forth, does hereby lease and let exclusive-ly unto the Lessee, for the purpose of drilling, prospecting, exploring by geophysical, seismic, geochemical and other methods, operating for, producing and removing oil and gas or other hydrocarbons and all the constituents thereof, and of injecting any wells on the leasehold property so as to conduct all such secondary or tertiary operations as may be required in the opinion of the Lessee, and to transport by pipeline(s) or otherwise across and through said lands oil, gas and their constituents from the subject lands or from the lands of others, regardless of the source of such hydrocarbons or the location of the wells. Said right to transport hydrocarbons from other properties across and through the subject lands shall survive beyond the term of this lease for so long as Lessee shall desire to transport same, so long as Lessee shall pay to Lessor the sum of \$5.00 per lineal rod of pipeline at the time of installation. Lessee shall also have the right of placing of tanks, equipment (including but not limited to metering and compression equipment), electric lines roads and structures thereon to procure, sell and operate for said products, the right of using local water for hydraulic fracturing, together with the right to enter into and upon the leased premises at all times for the above purposes, being all that certain tract of land situated in Tuscarawas Township(s), Stark County, State of Ohio, bounded substantially as follows:

Permanent Parcel Id:	<u>(18 NF) 72-07062</u>	Acres:	<u>17.53</u>	Range-Township-Section:	
Permanent Parcel Id:		Acres:		Range-Township-Section:	
Permanent Parcel Id:		Acres:		Range-Township-Section:	
Permanent Parcel Id:		Acres:		Range-Township-Section:	
Permanent Parcel Id:		Acres:		Range-Township-Section:	

For a total of 17.53 acres more or less.

1. **TERM OF LEASE** This lease shall continue in force and the rights granted hereunder be enjoyed by the Lessee for a term of **five years** and so much longer thereafter as oil or gas or their constituents are produced or are capable of being produced on the premises in paying quantities, in the judgment of the Lessee, or for as long as the premises shall be operated by the Lessee in the search for oil or gas, or unless extended otherwise herein. A well commenced within the primary term may be completed. A well has been commenced when preparations for drilling have begun.

2. **ROYALTY PAYMENTS** Lessee covenants and agrees to deliver to the credit of the Lessor in tanks or pipelines one-eighth (1/8) part of all oil produced and saved from the premises, or at Lessee's option, to pay to the Lessor, as royalty hereunder, the sum of one-eighth (1/8th) of the proceeds paid to Lessee for all oil marketed and produced from the premises. Lessee also agrees to pay to the Lessor, as royalty hereunder, the sum of one-eighth (1/8th) of the proceeds paid to Lessee for all gas marketed and produced from the premises. In the event that delivery of said gas to the purchaser takes place beyond one mile from any well drilled under this lease, Lessee may deduct a reasonable charge for transportation, gas treatment or compression of said gas from Lessor's royalty, which deduction may not exceed 10% of the purchase price received. Payment of royalty for oil and gas marketed during any calendar month to be on or about the 30th day after receipt of such funds by the Lessee. Lessee will deduct from Lessors' royalties Lessor's pro rata share of any tax imposed by any government body. All money due under this lease shall be paid or tendered to the Lessor by check made payable to the order of and mailed to Greg & Barb Kahr 1540 Deerfield Ave. Dalton, OH 44618 and said person(s) shall continue as Lessor's agent(s) to receive any and all sums payable under this lease, regardless of changes in ownership in the premises, until delivery to the Lessee of notice of change of ownership. No change in ownership shall be binding upon Lessee unless in writing, being duly signed by the parties to the instrument of conveyance or assignment, and only after delivery to Lessee of a duly certified copy thereof.

3. **FREE GAS** If any wells are drilled on the premises leased hereunder, Lessor may, **at its sole risk and cost**, lay gas pipelines to each such well (or where Lessee directs, to the appropriate gas separator or pipeline) on the leased premises, and take gas produced from said well(s) for use on the premises, subject to the use and the right of abandonment of such well(s) by the Lessee, and subject to any curtailments or shut-ins which may occur for reasons of repair, maintenance, or normal operations. **Lessor shall be solely responsible to maintain all lines and equipment installed for free gas purposes.** The first three hundred thousand cubic feet of gas taken each year shall be free, but all gas in excess of three hundred thousand cubic feet shall be paid for at the average rate Lessee is charging others for sale of gas from the well. This privilege is upon the condition that the Lessor shall maintain the pipeline, regulators and equipment in good repair and free of all gas leaks and operate the same so as not to cause dangerous conditions, waste or unnecessary leaks of gas. If the Lessor shall take excess gas in any year and fail to pay for it, the Lessee may deduct payment for such excess gas from any rentals or royalties accruing to the Lessor hereunder. **Lessor acknowledges that he/she is aware of the risks inherent in the taking of gas in this manner, and Lessor agrees to assume all such risks** whether same be caused by Lessor's lines or equipment, or whether same be caused by Lessee's equipment or well operations. Lessor agrees to hold Lessee and the well operator and all parties in interest in any well on the leasehold premises harmless from any claims of any nature whatsoever which may arise by the usage of gas from any such well by Lessor, his heirs, executors, administrators and assigns. Lessor further agrees that upon

the sale or transfer of the leasehold premises wherein someone other than the Lessor desires to take the gas under this Paragraph, said person shall have no right to receive free gas until they have had a qualified entity make a full inspection of the free gas pipelines and equipment and have educated themselves as to the significant risks involved in taking gas from an unfiltered, high pressure natural gas well, as compared to taking gas from a low pressure public utility pipeline. *Lessor is strongly urged to use only qualified contractors to install and maintain free gas equipment.* At Lessee's option, instead of Lessor taking free gas as aforesaid, Lessee may pay Lessor on a per well basis the wellhead price for Lessor's free gas entitlement.

**4. NON-PRODUCING WELLS** In the event a well drilled hereunder is a dry hole and is plugged according to law, and further, where the primary term has otherwise expired, this lease shall become null and void and all rights of either party hereunder shall cease and terminate, unless within twelve (12) months from the date of the completion of the plugging of such well, the Lessee shall commence another well. In the event a well drilled hereunder is a capable of commercial production and the Lessee is unable to market such production therefrom, or should production cease from a producing well drilled on the premises, or should the Lessee desire to shut in producing wells, the Lessee agrees to pay the Lessor, commencing on the date six months from the completion of such producing well or the cessation of production, or the shutting in of producing wells, a non-refundable shut-in payment in the amount of one hundred dollars per month per shut-in well located on the Lessor's premises, or should the Lessor's premises be consolidated with others upon whose land a well is drilled and shut-in, the non-refundable sum of three dollars (\$3.00) per consolidated acre per year until production is marketed and sold off the premises or such well is plugged and abandoned according to law.

**5. LEASE CONSOLIDATION** The Lessor hereby grants to the Lessee the right at any time to consolidate the leased premises or any part thereof or strata therein with other lands to form an oil and gas development unit of not more than 640 acres, or such larger unit as may be required by state law or regulation for the purpose of drilling a well thereon, but the Lessee shall in no event be required to drill more than one well on such unit. Any well drilled on said development unit, whether or not located on the leased premises, shall nevertheless be deemed to be located upon the leased premises within the meaning and for the provisions and covenants of this lease to the same effect as if all the lands comprising said unit were described in and subject to this lease; provided, however, that only the owner of the lands on which such well is located may take gas as provided under paragraph #4 above and provided further that the Lessor agrees to accept, in lieu of the one-eighth (1/8th) oil and gas royalty hereinbefore provided, that proportion of such one-eighth (1/8th) royalty which the acreage consolidated bears to the total number of acres comprising said development unit. Said royalties shall be accepted by Lessor in lieu of any delay rentals on non-consolidated acreage. The Lessee may effect such consolidation by submitting a plat showing the same in its application for a drilling permit or by executing a declaration of consolidation with the same formality as this oil and gas lease, setting forth the leases or portions thereof consolidated, the royalty distribution, and recording the same in the recorder's office at the courthouse in the county in which the leased premises are located. Lessee shall have the right to amend, alter or correct any such consolidation at any time in the same manner as herein provided. Lessor agrees to sign any division orders or other documents which may be required by any purchasers of oil or gas, but, in any event, appoints Lessee for this purpose.

**6. RECLAMATION OF LEASED PREMISES** The Lessee shall bury, when so requested by the Lessor, all pipelines used to conduct oil or gas to, on, through and off the premises and pay all damages to growing crops caused by operations under this lease. Lessee agrees to restore the premises in accordance with state laws. Additionally, Lessee agrees to restore the premises to original condition as nearly as reasonably possible. Restoration shall be completed within 90 days after all work has been completed in relation to the drilling, completion, and hook up of the well and all pipelines, weather permitting.

**7. LOCATION OF WELL, EQUIPMENT AND PIPELINES** Lessor shall have the right to approve the locations of all roads, pipelines, and equipment not directly attached to the wellhead, however, such right shall not be unreasonably asserted or withheld by Lessor. In the event that Lessor shall choose to subdivide its lands, Lessor shall have the right, at its expense, to relocate all roads, pipelines and equipment (save the wellhead) of the Lessee to conform to its plan of subdivision. In the event that such items need to be relocated, Lessor shall give the Lessee reasonable notice of its intention to relocate, and shall cooperate with Lessee so that interruption in hydrocarbon sales is minimized.

**8. MISCELLANEOUS PROVISIONS** The Lessee shall have the right to assign, sublease, or otherwise transfer this lease, in whole or in part, and Lessor waives notice of any assignment, sublease or transfer of this lease. Lessor agrees that when and if this lease is assigned, subleased, or otherwise transferred by Lessee, liability for breach of any obligation hereunder shall rest exclusively with the owner of this lease or portion or interest thereof who commits such breach. In the event of Lessee's assignment of a segregated portion of the premises leased hereunder, rentals or royalties payable hereunder shall be apportionable to each segregated portion, and default in rental or royalty payment as to one portion shall not affect Lessee's (or Lessee's assigns') interests in remaining portions. Where a parcel has been subdivided, free gas rights shall be deemed held by the landowner on whose premises the wellhead is located.

The Lessor further grants to the Lessee, for the protection of the Lessee's interest hereunder, the right to pay and satisfy any claim or lien against the Lessor's interest in the premises leased hereunder and thereupon to become subrogated to the rights of such claimant or lien holder, and the right to direct payment of all rentals and royalties to apply on the payment of any existing claims or liens on the premises.

The Lessee shall have the privilege of using sufficient oil, gas, water, or completion media for operating on the premises and the right at any time during or after the expiration of this lease to remove all pipe, well casing, machinery, equipment or fixtures placed on the premises.

The Lessee shall have the right to surrender this lease or any portion thereof by written notice to the Lessor describing the portion which it elects to surrender, or by returning the lease to the Lessor with the endorsement of

  
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surrender thereof, or by recording the surrender or partial surrender of this lease, any of which shall be a full and legal surrender of this lease as to all of the premises or such portion thereof as the surrender shall indicate and a cancellation of all liabilities under the same of each and all parties hereto relating in any way to the portion or all the premises indicated on said surrender, and the land rental hereinbefore set forth shall be reduced in proportion to the acreage surrendered.

In the event the Lessee is unable to perform any of the acts to be performed by the Lessee by reason of force majeure, including but not limited to acts of God, inclement weather, strikes, riots, and governmental restrictions including but not limited to restrictions on the use of roads, this lease shall nevertheless remain in full force and effect until the Lessee can perform said act or acts and in no event shall the within lease expire for a period of ninety days after the termination of any force majeure.

In the event either party considers that the other has not complied with any of its obligations hereunder, either express or implied, said party shall notify the other in writing setting out specifically in what respects this contract has been breached. The party served with such notice shall then have thirty (30) days after receipt of notice within which to meet or commence to meet all or any part of the breaches alleged. The service of said notice shall be mandatory prior to the bringing of any claim under this lease for any cause, and no such action shall be brought until the lapse of thirty (30) days after service of such notice. Neither the service of said notice nor the doing of any acts by the responding party aimed to meet all or any part of the alleged breaches shall be deemed an admission or presumption that the responding party has failed to perform all its obligations hereunder. **Any controversy or claim arising out of or relating to this agreement shall be settled by arbitration.** Either party may initiate an arbitration proceeding by notifying the other party in writing, but only after the aforementioned notice of breach has been served and the time period for cure has expired. The procedure to be followed in the event of an arbitration shall be that prescribed in the Rules of the American Arbitration Association unless the parties otherwise agree to an alternative arbitration procedure. Judgment upon the award rendered by the arbitrators may be entered in any Court having jurisdiction thereof.

The consideration, land rentals, free gas or royalties paid and to be paid, as herein provided, are and will be accepted by the Lessor as adequate and full consideration for all the rights herein granted to the Lessee, and the further right of drilling or not drilling on the leased premises a well or wells, whether to offset producing wells on adjacent or adjoining lands or on Lessor's premises or otherwise, as the Lessee may elect.

In consideration of the acceptance of this lease by the Lessee, the Lessor agrees for himself and his heirs, successors and assigns, that no other lease for the minerals covered by this lease shall be granted by the Lessor during the term of this lease or any extension or renewal thereof granted to the Lessee herein, nor shall any other agreement permitting geophysical or seismic testing of the leased premises be granted.

Lessor may purchase any well drilled on its land, and such well equipment necessary to operate the same at fair market salvage value, when any well has ceased to produce in paying quantities in the judgment of the Lessee. The price for the same shall be the average of three independent bids. Lessor shall have thirty days, after receiving written notice, to exercise its option to purchase. Should the Lessor purchase any well or wells it shall assume the responsibility of operating and eventually plugging the same and shall execute such documents to this end as may be required to effect proper well transfer. Any such purchase shall be "as is" and Lessee gives no warranty in regard to same.

At Lessee's Option, Lessee has the right to extend the primary term of this lease for an additional five (5) years at \_\_\_\_\_ dollars (\_\_\_\_\_) per acre per year. Lessee is also given the first right of refusal to meet the terms of any bona fide third party offer of lease made within three years of the expiration of this lease.

Upon termination, expiration, abandonment or forfeiture of this lease, Lessee shall have the right at any time to enter the premises and remove any and all pipe, casing, tubing and other equipment (unless sold to the Lessor per the preceding paragraph). Lessor stipulates that such items are personalty and that Lessee has an absolute right to recover same, regardless of whether the lease has lapsed or been forfeited.

All covenants and conditions between the parties hereto shall extend to their heirs, personal representatives, successors and assigns, and the Lessor hereby warrants and agrees to defend the title to the lands herein described. It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter thereof, that no verbal representations or promises have been made or relied upon by either party which are not contained herein, and no implied covenant, agreement or obligation shall be read into this agreement or imposed upon either party. Lessor further agrees to sign such additional documents as may be reasonably requested by Lessee to perfect Lessee's title to the oil and gas leased herein and such other documents relating to the sale of production as may be required by Lessee or others. This lease shall be construed against neither party, regardless of who may have drafted same.

IN WITNESS WHEREOF the Lessor(s) has/have hereunto set his/her/their hands.

LESSOR(S):

Myungahn (Trustee)  
B. John (Trustee)

Gregory Kohn (Trustee)  
Barbara Kohn (Trustee)

  
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STATE OF OHIO )  
 ) SS:  
COUNTY OF Stark )

NOTARY CLAUSE

Before me a Notary Public in and for said county and state personally appeared the above named Gregory A. Kohr  
Barbara M. Kohr, who acknowledged to me that he/she/~~they~~ did execute the foregoing instrument and that the same  
is his/her/their free act and deed for the purposes therein set forth.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal at Canton,  
Ohio this 6<sup>th</sup> day of October 2010.

Merritt E. Shaffner  
Notary Public

MERRITT E. SHAFFNER, NOTARY PUBLIC  
IN AND FOR THE STATE OF OHIO  
MY COMMISSION EXPIRES MAY 2, 2015